



OFFICE OF INSPECTOR GENERAL

Catalyst for Improving the Environment

Quarterly Report

Second Quarter - Fiscal Year 2003

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Audit/Evaluation Activities

Region 6 Needs to Improve Oversight of Louisiana's Environmental Programs (Report 2003-P-00005)

EPA Region 6's oversight of the Louisiana Department of Environmental Quality (Louisiana) was insufficient and, as a result, could not assure the public that Louisiana was adequately protecting human health and the environment.

Region 6 oversight must improve to ensure the effectiveness of Louisiana's implementation of the National Pollutant Discharge Elimination System water program, Resource Conservation and Recovery Act hazardous waste program, and Title V air program. Oversight was insufficient because Region 6 leadership did not: (1) develop and clearly communicate a vision and measurable goals for its oversight of the State or emphasize the importance of consistently conducting oversight, (2) hold Louisiana accountable for meeting goals and commitments, and (3) ensure that data of poor quality was corrected so that it could be relied upon to make sound decisions. As a result, the working relationship between the Region and Louisiana was not cohesive, and the Region was unable to fully assure the public that Louisiana was operating programs effectively.

Region 6 leadership had not defined what constitutes a successful oversight program, and had not identified the means for measuring the value of its oversight and linked

that to environmental outcomes. Region 6 also did not conduct independent evaluations to assess the effectiveness of its oversight. Effective oversight should enable EPA to proactively identify problems with State programs and help Louisiana improve its environmental programs to protect human health and the environment.

We recommended that the EPA Region 6 Administrator take various corrective actions to improve Regional oversight of Louisiana, including developing and communicating a clear vision and measurable goals for oversight, holding Louisiana accountable for the results of its programs through stronger grant commitments, and working with the State to identify and correct inaccuracies in key databases. Further, we recommended the Region develop and implement a systematic process to gather and evaluate feedback from its State partners, and conduct independent evaluations of oversight.

Improving Nationwide Effectiveness of Pump-and-Treat Remedies Needs Sustained and Focused Action (Report No. 2003-P-000006)

EPA's Nationwide Pump-and-Treat Optimization project identified 241 recommendations to improve effectiveness and reduce costs at Superfund-financed groundwater pump-and-treat systems. If implemented, these recommendations could result in a 36-percent

reduction in annual Superfund costs for evaluated sites. Although about half of the 241 recommendations have been fully implemented or are in progress, it is not clear that EPA has established a milestone for completing this project, implementing all the recommendations, and accounting for the associated environmental and cost savings benefits. EPA needs to sustain its progress and develop focused plans to track the effectiveness of this nationwide project.

Groundwater contamination is present at the majority of Superfund and Resource Conservation and Recovery Act corrective action sites. Pump-and-treat remedies are the most common groundwater cleanup remedies used at Superfund National Priorities List (NPL) sites and are also most commonly used to remediate methyl tertiary-butyl ether (MtBE), a pollutant associated with leaks or spills from underground storage tanks. There are over 700 pump-and-treat systems operating at NPL sites nationwide, 88 of which are financed by the Superfund program.

Collectively, Phases I and II of this nationwide project identified the 241 recommendations for improvements to about 17 of the 20 Superfund-financed pump-and-treat systems evaluated, while also collecting cost and performance information for all 88 Superfund-financed systems. The project also identified important ways that existing systems can be managed more effectively. Information obtained from EPA Regions and States generally indicated the optimization project was valuable, useful, and identified savings opportunities. Regions disagreed with less than 10 percent of the recommendations, while others were deferred.

Phase III of the project is ongoing and generally involves project tracking and capturing progress toward implementing recommendations. There is no current scheduled end date, milestone, or focused plan of action associated with completion of Phase III, although EPA's initial plans indicate Phase III was scheduled for completion by the end of fiscal 2002. EPA needs to set priorities for which sites or recommendations are most

critical to track, establish a time line for tracking actions, and establish credible metrics to measure environmental and cost benefit outcomes. In the long term, it will be difficult to determine the environmental and cost benefits of optimization projects if accurate and meaningful information on the results they produce has not been collected or analyzed.

EPA Must Emphasize Importance of Pre-Award Reviews for Assistance Agreements (Report 2003-P-00007)

EPA project officers did not perform all necessary steps when conducting pre-award reviews of assistance agreement applications. Consequently, there was insufficient assurance that projects awarded would accomplish program objectives or desired environmental results, or that proposed costs were reasonable and recipients technically capable of performing the work. More than half of EPA's \$7.8 billion fiscal 2001 budget was awarded to organizations outside the Agency through assistance agreements. Therefore, it is imperative that EPA award these agreements for projects that contribute most effectively to achieving EPA's specific objectives and priorities.

EPA project officers play a key role in ensuring the proper expenditure of assistance agreement funds, including negotiation of workplans. We analyzed project officer files for 116 assistance agreements awarded by the Office of Water, Office of Air and Radiation, and EPA regions, and found that project officers were not conducting complete programmatic and technical reviews. Specifically, for the projects reviewed, project officers did not:

- Identify the link between projects funded and achievement of EPA's mission for 19 percent.
- Assess the probability of a project's success prior to award for 31 percent.

- Determine the reasonableness of proposed costs for 79 percent.
- Negotiate environmental outcomes for 42 percent.
- Ensure that milestones or deliverables were included for 24 percent.
- Implement new regulations designed to improve fiscal management and accountability for environmental protection for 96 percent of applicable workplans.

Agency leadership had not emphasized the importance of project officer duties, nor held project officers accountable for conducting complete programmatic and technical reviews. EPA had not identified the skills and abilities needed for a project officer, nor defined them in performance agreements. It is crucial that Agency management create an environment that considers the management of assistance agreements and the project officer function vital to the accomplishment of the Agency's mission. Without such, there is limited assurance that EPA knows what it is obtaining and that projects will achieve the desired environmental benefits.

We recommended that the Assistant Administrator for the Office of Administration and Resources Management identify skills project officers need to perform pre-award reviews, evaluate and modify their training to ensure staff have the needed skills, and have uniform performance standards developed for project officers.

Central States Air Resource Agencies Association Misspent EPA Funds (Report 2003-1-00087)

We questioned more than \$1.6 million claimed by the Central States Air Resource Agencies Association (CenSARA) under two grants received from EPA because CenSARA either did not adequately support the claimed costs or did not spend the money in accordance with Federal laws and regulations.

EPA provided CenSARA with two grants totaling more than \$3.2 million. The first grant was used to establish CenSARA as a Regional Multi-State Organization to promote the exchange of information between its States and other interested parties related to the control of air pollution. The second grant was to establish the infrastructure for a Regional Planning Body to enable States and Indian tribes to address regional haze issues.

We questioned costs claimed because CenSARA: (1) could not reconcile total program outlays claimed for each grant with the general ledger; (2) did not maintain an adequate labor distribution system to track labor efforts spent on each project or final cost objective; (3) improperly charged all indirect type costs – such as rent, office supplies, and depreciation – to one EPA assistance agreement, and did not develop proper indirect cost rates; and (4) did not competitively procure equipment and services or perform purchase cost or price analyses.

We recommended that EPA recover all funds that could not be supported, suspend work under the current agreements, make no new awards to CenSARA until it can demonstrate that its accounting practices are consistent with Federal requirements, and require CenSARA to modify its financial management and procurement systems to meet Federal requirements.

Investigative Activities

NYU Professor Sentenced to 2 Years Probation for Theft of Federal Funds (Sentencing: Case 02-7001)

On February 25, 2003, Richard Schlesinger, Professor of Environmental Medicine, New York University (NYU), School of Medicine, was sentenced in U.S. District Court, Southern District of New York, to 2 years probation and was ordered to pay a \$5,000 fine and a \$25 special assessment. This sentencing is a result of Schlesinger's November 12, 2002, guilty plea to a criminal information charging him with a misdemeanor count of theft of Federal funds in connection with submitting fraudulent reimbursement requests.

From December 1997 to July 2001, Schlesinger submitted approximately 81 fraudulent reimbursement requests to NYU with an aggregate value of \$22,090. These reimbursement requests were paid from moneys provided by Federal grants funded by EPA. Schlesinger allegedly used the illegally obtained Federal funds to support his hobby of stamp collecting.

This investigation was conducted by the EPA OIG.

Owners of Reproduction Company Indicted for Conspiracy and Income Tax Fraud (Indictment: 96-7002)

On March 20, 2003, Thomas M. Costas and Robert J. Strom, owners and operators of Action Reprographics, Inc., New York, New York, were criminally indicted by a Federal Grand Jury in the District of New Jersey for conspiracy and income tax fraud. This indictment follows December 2002 agreements, whereby Costas and Strom each agreed to pay \$100,000 to the Government in a civil settlement with the United States Attorney's Office, District of New Jersey.

The United States alleged that Costas and Strom provided kickbacks to an employee of Ebasco Services, Inc., for the purpose of obtaining favorable treatment in the award of subcontracts for reproduction services. Ebasco Services was a major Government contractor, providing power generation, environmental remediation, hazardous waste processing, and construction services to numerous Government agencies, including EPA, the Department of Defense, and the Department of Energy. Several former employees of Ebasco Services were previously convicted of violations of the Anti-Kickback Act of 1986 and with filing false income tax returns.

This investigation was conducted jointly by the Defense Criminal Investigative Service, National Aeronautics and Space Administration OIG, U.S. Postal Inspection Service OIG, and EPA OIG.

Questions concerning this update or requests for copies of OIG audit reports, reviews, or other documents should be directed to **Eileen McMahon**, U.S. Environmental Protection Agency (2441T), 1200 Pennsylvania Avenue, NW, Washington, DC 20460. **Telephone (202) 566-2546.**

If you are aware of or suspect any fraud, waste, or abuse in any EPA programs or operations, please call the OIG Hotline on **(202) 566-2476 or (888) 546-8740.**



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